

Minutes of the Board of Commissioners of the
Emery County Housing Authority held at
the Emery County Courthouse - Room 221
75 East Main Street, Castle Dale, Utah

August 20, 2013

Those present at the meeting were Chairman Jeff Horrocks, Commissioners, Liz Nielson, Bart Cox, Christine Jensen, and Dale Roper. ECHA was represented by John Sehestedt, Executive Director. The agenda was as follows:

DISCUSSION OF RECOVERY AGREEMENT PROGRESS

HUD (Denver Office) send a letter to all commissioners informing them that the late progress report sent to them on May 16, 2013 was missing a certain level of detail. Due to the complex issues and challenges facing ECHA, the HUD PHARS team would like to schedule bi-weekly telephone calls with the Board. Attached to the letter was an explanation of the missing information and what they expect to be included in the next progress report sent to them. The Board went over each item as follows:

Area 1, Item 1, Governance

Board's enhanced oversight of financial statements and management. HUD is expecting ECHA to achieve a MENAR greater than 1.0 and a combined QR and MENAR score of at least 15.

John Sehestedt reported that he thought he had addressed each item in his progress report, but apparently HUD would like more detail. He did not agree with HUD's comments. He recommended that on the bi-weekly call the lastest financial report should be gone over in detail. The board members agreed to hold a conference call with HUD PHARS team to discuss their concerns.

Area 2, Finance

The statement made in the progress report sent to HUD reported that ECHA has reached an acceptable "No Risk" status, which is not accurate. Although there was improvement in the financial area for the FY Ended 3/31/12 FASS, the 3/31/13 unaudited financial statements indicate that ECHA is in a dire financial situation. Current liabilities are almost double current assets. ECHA does not have available funds to pay sick leave accrued by staff, which threatens the solvency of ECHA. The report being presented to the board each month is a step in the positive direction towards tracking expenses. The board needs to explain the variances and make revisions for any overages. HUD PHARS team would like a copy of the board's meeting

minutes each month.

John did not agree with HUD's position on this item that ECHA is in dire financial situation. Jeff inquired if the funding for employee sick leave accrual was in the budget, as John has stated in past meetings. John replied that it was on the books, not in the budget. Jeff pointed out that the money is not in the budget and the ECHA cannot pay it out without suffering financial hardship. John felt it could be paid out in installment payments. Jeff stressed that sick leave payout is an unfunded benefit and has never been budgeted.

John explained that the ECHA was run by one employee for 25 years. When the HUD team came in 2002, HUD recommended that another employee be hired. John stated that ECHA's financial problem is all Denver's (HUD's) fault. ECHA cannot financially support the current benefit plan. Hiring a second employee for ECHA was a financial mistake. John recommends that the solution to solvency of the ECHA is to contract out maintenance/yard work and be run administratively by one employee.

John agreed that the next progress report to HUD will be very thorough and have more detail. No one seemed to know when the next report is due.

Chris Jensen stated that the board needs to make a decision concerning a reduction in the unfunded sick leave liability. Discussion of this unfunded liability has been tabled the last couple meetings, but needs to be resolved next meeting. Jeff recommended that sick leave be available for use while employed by ECHA, but there will be no cash value upon termination. John stated that he could not accept Jeff's recommendation. John stated that there will be plenty of money available when one employee quits or leaves but agrees with the assessment that sick leave payout has never been budgeted in a line item. However, John states that it can be paid out with program reserves on installments.

Bart Cox felt that John has earned this benefit over the years according to ECHA personnel policy - but it has never been funded. ECHA did not have the money to offer this benefit. Chris asked if ECHA employees have ever invested any personnel money in this unfunded benefit. John answered, "No". Bart wondered if a line item can be added and ECHA begin to add funds into it. Jeff will check with HUD to see if this can be accomplished. Chris stated that the board talked about capping the sick leave in past meetings. The board all agreed that the personnel policy needs to be amended next meeting,

John will bring a report to the board next meeting showing how the sick leave benefit is on the books and will get with the fee accountant and get accurate reports and do the FASS calculation. John suggested that before the board makes a final decision that they look at the June 2013 financial statements.

Jeff asked the Board to make a motion to stop accrual of sick leave immediately. Bart Cox made the motion to immediately stop any further accrual of sick leave of the employees of

ECHA until the Board has amended the personnel policy. Chris Jensen seconded the motion. The motion was approved by all members present.

Area 2, Item 2.1 Finance, PH Operating Budget

The letter indicated that the progress report did not address action being taken by the Board to minimize spending. HUD stressed that the Board needs to review the budget and actual expenses and make necessary adjustments to ensure a balanced budget. The FYE 3/31/13 unaudited financial statements indicate that the FASS score will be 2 out of 25 if this item is not monitored and adjusted.

Some of the boards recent cuts, salary/benefits, use of ECHA vehicle etc., may not have shown up on the financial reports yet.

Area 2, Ite, 2.2, Finance, PH and HCV Budgets

The progress report did not address any variations from the scheduled budgets. The board should routinely compare the budget to actual expenses for the current FYE 3/31/14 and take steps to correct any variances.

The chairman asked John to give the board a written explanation of each budget line item that exceeds 5% variance. The board needs a complete financial report from the Executive Director each month using HUD forms.

Area 2, Item 2.3, Finance, Repayment of Misused Housing Assistance Payment (HAP) Funds

The Board passed a Repayment Resolution (revision dated July 3, 2012) to have ECHA's PH program repay misused HAP in the amount of \$1700/mo. ECHA is not paying back the required \$1700/mo. nor did the Board provide an explanation. HUD requested a spreadsheet monthly documenting that the monthly \$1,700 repayment is being made and what actions are taken to make up the delinquency in payments.

John reported last meeting that ECHA was making the \$1700.00 per month repayment. Jeff asked him to explain why HUD reports that they are not receiving the full payment. He didn't have an explanation and stated that there several months the full amount has not been paid. John suggested that the board ask HUD to lower this repayment amount.

Area 2, Item 3, Finance, Tenant Accounts Receivable Balance

The progress report stated that Tenant Account Receivables "have been actively pursued and have been reduced...ECHA's Management Assessment Sub System (MASS) score will only improve once the accounts receivable balance is less than 2.5% of tenant rents.

See discussion under Report of Tenant Accounts Receivable below.

Area 4, Physical

The progress report did not state if the monthly inspections were overseen by the Board, work orders were generated, or identified deficiencies were corrected. HUD reminds the Board that it is critical to the recovery requirements to have a complete understanding of the UPCS requirements and oversee and ensure that deficiencies are identified and corrected according with ECHA maintenance policy.

Discussion ensued concerning the work that has been done to improve the units. Jeff took the trustees from the jail to each complex and they did clean-up work outside the units. John has been working on the inside of the units addressing each item that didn't pass the last physical inspection. The work order log needs more detail, i.e. time spent on each job, cost of repair, etc. All work needs to be documented.

The Chairman thanked the board for the time it is taking to address all these issues and asked each commissioner to take the time to study the documents and come prepared next meeting to address the financial situation of ECHA and the personnel policy.

REPORT/DISCUSSION ON TENANCE ACCOUNT RECEIVABLE BALANCES

There were four tenants in Castle Dale that did not make their rent payment this month. Castle Dale tenant #9 is asking for leniency and not force an eviction. John was directed to follow policy and start the eviction policy. Bart Cox motioned to have John follow the policy and not bring requests to the board for leniency. Liz Nielson seconded the motion. The motion was passed by all members present.

The tenant account receivable balance is not acceptable. There are too many tenants not paying rent and ECHA is not collecting rent as directed by the board.

REPORT/DISCUSSION OF ROUTINE APARTMENT INSPECTION FOR MAINTENANCE NEEDED AND HOUSEKEEPING OF TENANTS

DISCUSSION OF MAINTENANCE LOG AND OUTSTANDING WORK ORDERS

As noted earlier in the meeting, the work order log needs more detail. The Chairman asked the commissioners to make themselves available to accompany EHCA employees on the routine maintenance/housekeeping inspections. The maintenance log John provided lacked the cost of the work order and the time it took to complete.

PRESENTATION AND EXPLANATION OF FINANCIAL INFORMATION SUBMITTED IN HUD FORMAT

John was instructed to supply the board financial information on HUD forms. Jeff stressed that timesheets need to be turned into the Chairman before the payroll checks will be released. Every two weeks a time sheet should be turned into the Chairman.

A. DISCUSSION OF ACTION TAKEN TO ADDRESS CURRENT ASSETS, CURRENT LIABILITIES, AND UNFUNDED LIABILITIES

See discussion above.

B. RATIFICATION OF RENT SUBSIDY/PAYROLL AND RETIREMENT CHECKS

C. APPROVAL OF MONTHLY BILLS

A motion was made by Bart Cox to pay/ratify the bills of the ECHA. Chris Jensen seconded the motion. The motion was approved by all members present.

DISCUSSION OF NEED FOR SUSTAINABILITY PLAN.

Tabled.

CONSIDERATION AND APPROVAL OF AMENDMENTS TO ECHA EMPLOYEE BENEFIT POLICY - SECTIONS 8 & 9

John provided his recommended amendments to sections 8 & 9. The Board will review his suggestions and be prepared to adopt a new personnel policy next meeting.

CONSIDERATION AND APPROVAL OF ADDITIONAL INFORMATION REQUEST ON PAYROLL CHECKS AND MONTHLY UPDATE ON VACATION AND SICK LEAVE BANKS OF ECHA EMPLOYEES

John was instructed to include the sick/vacation accumulation of each employee and the period for which they are being paid for on each payroll check on a motion by Christine Jensen and a second by Dale Roper.

APPROVAL OF JULY 18, 2013 MINUTES

The minutes of the July 18, 2013 meeting were approved as written by Chris Jensen. The motion was seconded by Dale Roper. The motion was approved by all members present.

CLOSED/EXECUTIVE SESSION FOR DISCUSSION OF THE CHARACTER, PROFESSIONAL COMPETENCE OR PHYSICAL OR MENTAL HEALTH OF AN INDIVIDUAL

Bart Cox made a motion to go into closed session. Liz Nielsen seconded the motion. The motion was approved by all members present.

APPROVAL OF ACTION TAKEN ON THE CHARACTER, PROFESSIONAL COMPETENCE OR PHYSICAL OR MENTAL HEALTH OF AN INDIVIDUAL

No action taken.

Meeting adjourned as the board came to the end of the agenda.

Jeff Horrocks, Chairman
Approved 10/1/2013